

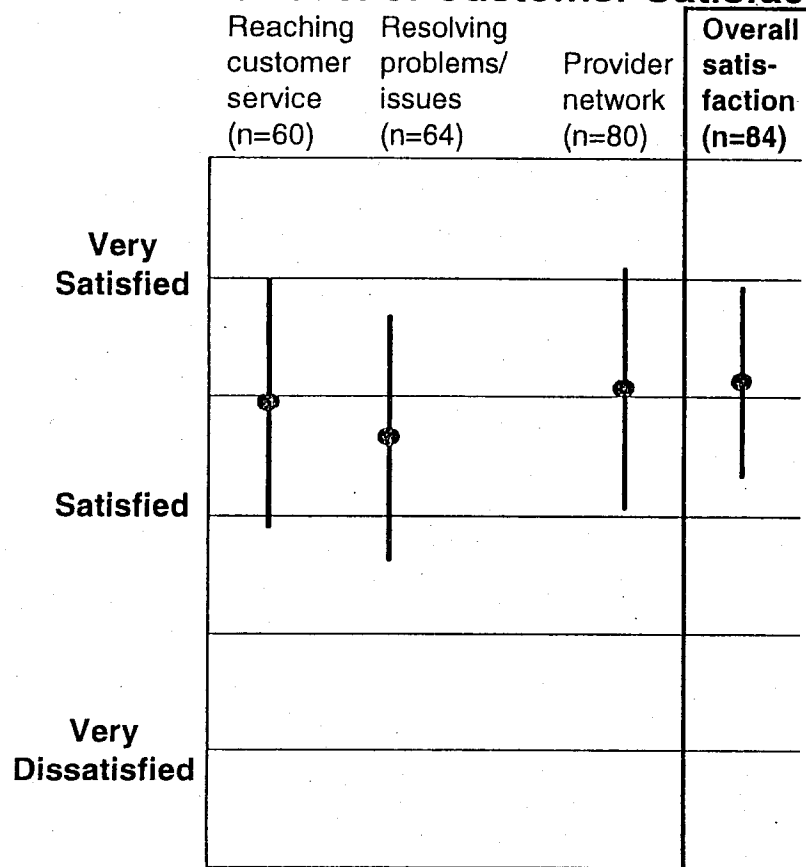
We interviewed constituents of BC CA, as well as health plan executives, to assess the level of impact the conversion had across the different stakeholders.

Interviews - Blue Cross of California

| | |
|-------------------------------|--|
| Health Plan Executives | <ul style="list-style-type: none"> • David Colby, Executive VP and CFO • David Helwig, Group President, Large Group Division • Tom Geiser, Executive VP and General Counsel • Carol Burt, Head of Mergers and Acquisitions |
| Members | <ul style="list-style-type: none"> • Focus Group – 9 members; Survey – 85 members |
| Providers | <ul style="list-style-type: none"> • Focus Group – 10 providers |
| Hospitals | <ul style="list-style-type: none"> • 3 Hospitals (UCLA, Washington Hospital-Freemont, Hoag Memorial) |
| Brokers | <ul style="list-style-type: none"> • 1 Broker, 2 Towers Perrin benefit consultants |
| Consumer Groups | <ul style="list-style-type: none"> • Laurie Sobel, Consumers Union (Decided to not be interviewed) |
| Regulators | <ul style="list-style-type: none"> • Contacted, unable to reach people directly involved with conversion |
| Foundations | <ul style="list-style-type: none"> • David Pockell, former CEO of Kaiser Permanente Northern CA, now Director of Programs, CA Healthcare Foundation |
| Secondary Research | <ul style="list-style-type: none"> • Performance data for plans and major competitors (market share, admin. and medical costs ratios, etc) • Community statistics (% of uninsured, % of small businesses offering health benefits, etc.) |

On average, members surveyed appear to be satisfied with the service they receive from Blue Cross of California.

Current Level of Customer Satisfaction-



BC CA Member Responses

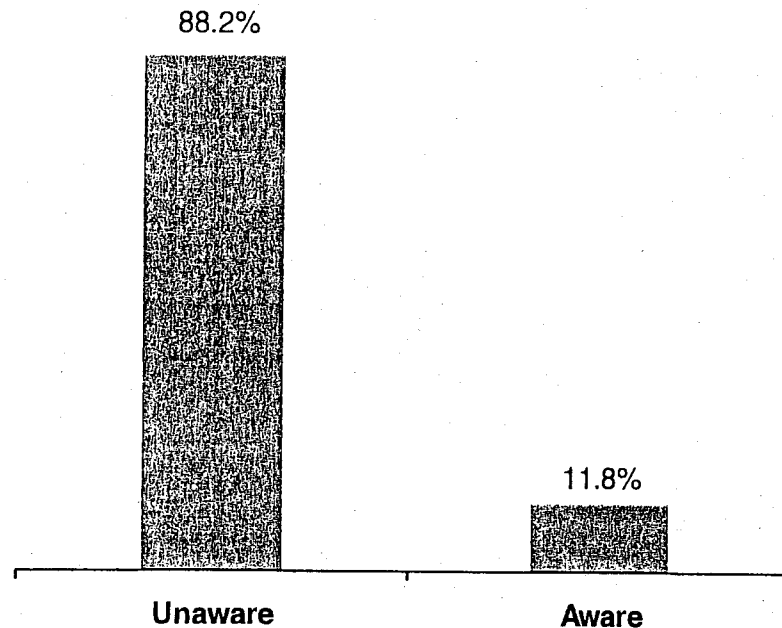
For all line charts, the dot represents the average and the lines represent + or - 1 standard deviation.

Interview Quotes

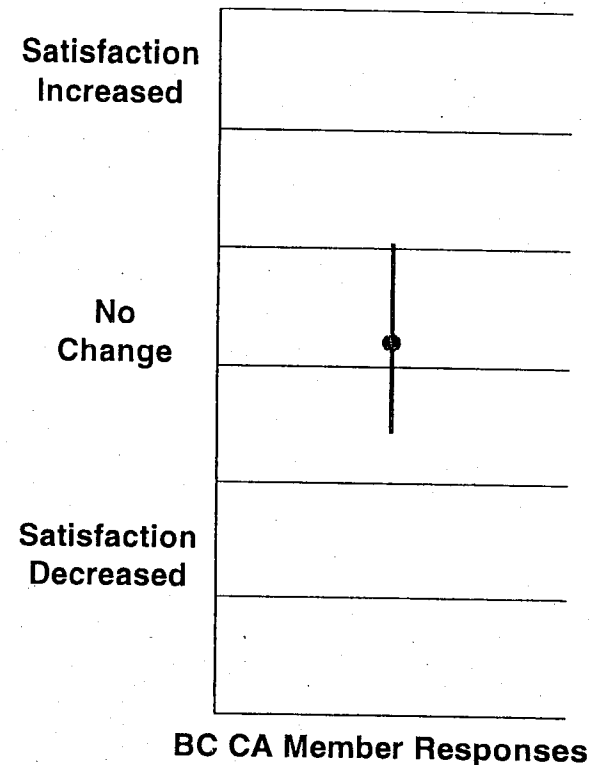
- *Member, BC of CA:* I go in a lot with my kids. It's seamless to me. I pay \$10 and we get out the door.
- *Member, BC of CA:* I stay with Blue Cross of CA because of its good reputation, and if I have an accident, I think that they will come through.
- *Dave Helwig, Group President, Large Group Div, WellPoint:* We have kept rate increases very steady, very predictable. As a result, retention is fantastic. We are not moving from one panic swing to another.
- *Broker, Bob Burnell, Cassidy & Associates:* The conversion was transparent to us. I didn't notice any change and either did my employers. I have noticed that things [Blue Card program] have gotten better in last few years.
- *Member, BC of CA:* BC of CA has a better network and better rates.

Most people surveyed were not aware that BC CA converted. However, on average, survey respondents experienced a slight improvement in satisfaction over the same time frame.

Percentage of People Surveyed Who Were Aware of Conversion-
(n= 85)



How Customer Satisfaction Has Changed Over Last 5 Years-
(n= 80)

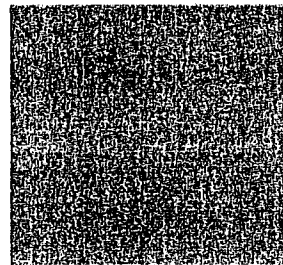


Source: Focus Group analysis and surveys
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On average, the members surveyed experienced an improvement in service from BC CA on each dimension we measured their perception of service.

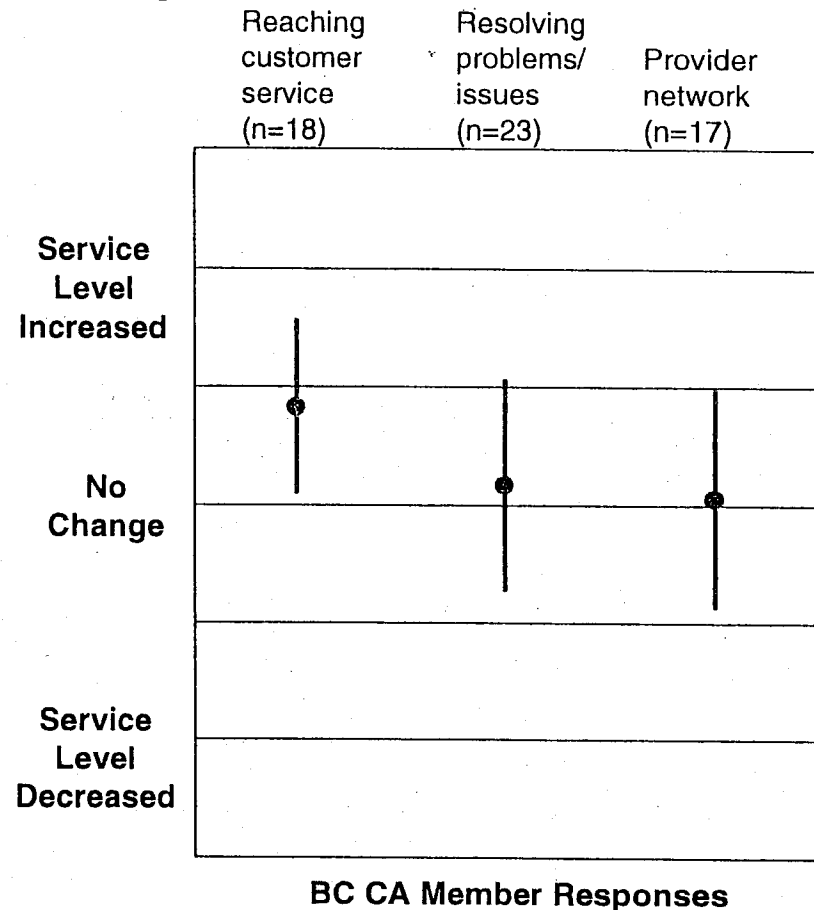
Percentage of Members Surveyed Who Reported Noticing a Change-
(Change reported in one or more area as shown in graph on right, n=36)

45.0%



% of BC CA Members Who Noticed a Change

Changes Members Noticed-



Focus group providers have not noticed a negative change in their level of service since the conversion, but do state they have become somewhat dissatisfied with their negotiated rates.

Summary of Focus Group Findings-

- Providers* report satisfaction with Blue Cross of California's:
 - ability to resolve claims payment issues,
 - speed when responding to verification requests, and
 - referral and pre-authorization process.
- Providers are less than satisfied with Blue Cross of CA's rates and rate negotiation process.
- Some providers were aware of the conversion.
- Conceptually, providers expressed concern over changing reimbursement and service levels with the idea of a for-profit health insurance company.
- Overall, providers have not noticed a change in their level of satisfaction with service over the past six years.
- Providers noticed the changes in their level of satisfaction with their rates and rate negotiation process occurred in the last six years, but are unsure if the changes are a direct result of the conversion.

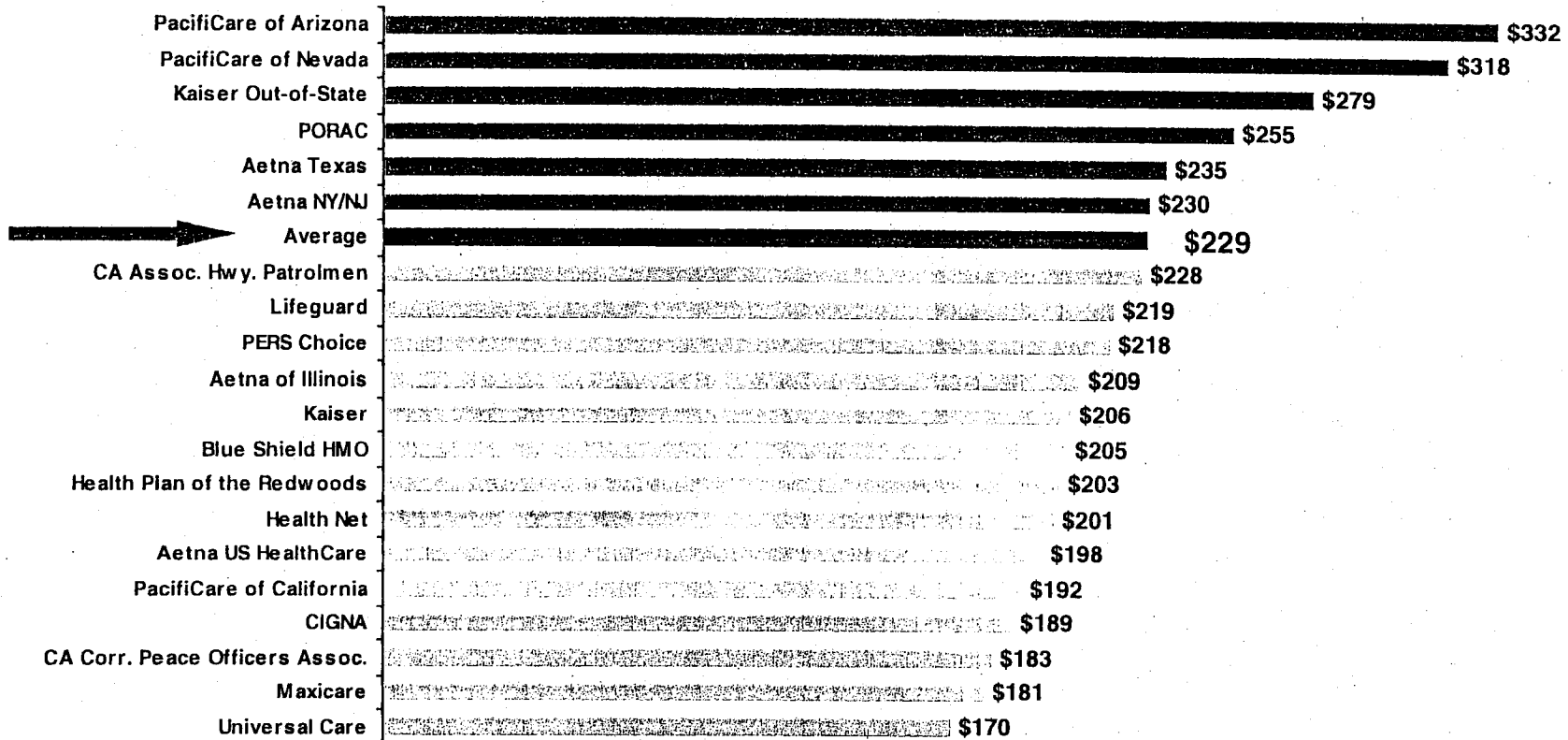
* Providers had been contracted with Blue Cross of California for six or more years.

Focus Group and Interview Quotes-

- *Steven Forrester, Director of Contracting, Washington Hospital- Fremont:* BC of CA has made an attempt to expedite claims payments. They asked us to fill out a survey and, now that you mention it, BC of CA is not at the top of our AR reports
- *Dave Helwig, Group President, Large Group Div, WellPoint:* There's really been no change in our [provider] leverage, we just have gotten to the better deals sooner
- *Lori Weaver, Director of Managed Care, Hoag Memorial:* Blue Cross has always been tough to work with [in contracting]
- *Physician, CA:* If you are in solo practice, you take it or leave it. There are no negotiations. If you are in a large practice, it's a careful dance

The average monthly COBRA rate is \$229 in California.

CalPERS Monthly Rates for COBRA Coverage (2001)



Source: CalPERS website

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